

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 NSCE-00 DRC-01 SAM-01

SAJ-01 NIC-01 FEA-02 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-03 H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-03 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 OMB-01 SWF-02

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SUBJECT: COMMENTS ON SINO-SOVIET TRADE

REF: PEKING 1201

SUMMARY: ACCORDING TO A PEKING BASED SOVIET TRADE
OFFICIAL, ORDERS ALREADY PLACED INDICATE THAT NEXT
YEAR'S SINO-SOVIET TRADE AGREEMENT WILL RESULT IN A
TEN PERCENT INCREASE ABOVE THE LEVEL OF TRADE
SPECIFIED FOR 1974. THE 1975 AGREEMENT WILL AGAIN
INCLUDE SOVIET TRANSPORT AIRCRAFT AND HELICOPTERS.
DUE TO THE SYSTEM OF "STOPPED PRICES" USED IN THESE
AGREEMENTS, SINO-SOVIET TRADE IS UNDERVALUED BY ABOUT
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25 PERCENT. THIS PRICE SYSTEM IS ALSO USED IN AGREEMENTS

WITH NORTH KOREA, THE DRV AND MONGOLIA. END SUMMARY.

1. DURING JULY 29 CALL ON USLO OFFICERS HOROWITZ AND PERITO, DEPUTY SOVIET TRADE REPRESENTATIVE IN PEKING V. A. MISHUKOV CONTINUED DISCUSSION OF SINO-SOVIET TRADE WHICH USLO OFFICERS BEGAN WITH EARLIER CALL AT THE SOVIET EMBASSY (REFTEL). MISHUKOV, WHO ASKED FOR INFORMATION ON THE CURRENT STATUS OF U.S.-CHINA TRADE, PROVIDED FOLLOWING INFORMATION ON CHINA'S TRADE WITH USSR AND OTHER SOCIALIST COUNTRIES.

2. ACCORDING TO MISHUKOV, THE 1975 SINO-SOVIET TRADE AGREEMENT MOST PROBABLY WILL AGAIN PROVIDE FOR A TEN PERCENT INCREASE ABOVE THE LEVE OF THIS YEAR'S AGREEMENT. HE IS CONFIDENT OF THIS, HE SAID, SINCE A RECENTLY ADOPTED PROCEDURE ALLOWS FOR ADVANCE AGREEMENT ON AT LEAST HALF OF THE FOLLOWING YEAR'S TRADE; THIS WAS ADOPTED BECAUSE ORDER FOR CERTAIN SOVIET MACHINERY MUST BE PLACED AT LEAST A YEAR IN ADVANCE TO INSURE DELIVERY. IN FUTURE YEARS, MISHUKOV CONTINUES TO FORESEE ANNUAL INCREASES OF NOT MORE THAN 10 PERCENT.

3. PREVIEWING NEXT YEAR'S AGREEMENT, MISHUKOV SAID IT WILL AGAIN INCLUDE SOVIET AN-24 AND AN-17 AIRCRAFT AS WELL AS ANOTHER 10 MI-8 HELICOPTERS. THE CHINESE EXPRESSED INTEREST IN COAL AND PETROLEUM DRILLING EQUIPMENT, BUT MISHUKOV ADDED THAT THE CHINESE WERE ALSO TALKING WITH EAST EUROPEAN SUPPLIERS. MISHUKOV FELT THE CHINESE WOULD CONTINUE TO BUY OIL RIGS (ON SHORE) FROM ROMANIA, WHICH IS NOW SUPPLYING ABOUT 30 A YEAR.

4. IN REPLY TO QUESTIONS, MISHUKOV SAID THE "STOPPED PRICE" SYSTEM USED IN THE SINO-SOVIET AGREEMENT RESULTED IN A 25 PERCENT UNDERVALUATION IN THE ANNUAL LEVEL OF TRADE. THE SOVIETS KNOW THIS, HE SAID, BECAUSE IN ORDER TO BE SURE THE ANNUAL AGREEMENT IS NOT UNFAIR, THEY MAKE A CAREFUL ESTIMATE OF THE ITEMS IN TERMS OF CURRENT PRICES. THE CHINESE ARE UNWILLING TO CONVERT TO CURRENT PRICES IN THE AGREEMENT BECAUSE THIS WOULD RESULT IN AN AUTOMATIC AND HIGHLY EMBARRASSING INCREASE IN THE VALUE OF THEIR LIMITED OFFICIAL USE

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TRADE WITH THE SOVIET UNION, MISHUKOV SAID.

5. WHILE A SYSTEM OF "STOPPED PRICES" WAS COMMON TO ALL PRC TRADE AGREEMENTS IN THE PAST, HE BELIEVES IT IS NOW USED ONLY WITH THE USSR, NORTH VIETNAM, NORTH KOREA AND MONGOLIA. MISHUKOV SAID THAT THE TOTAL VALUE OF PRC-NORTH KOREAN TRADE IS SIMILAR TO THAT WITH THE SOVIET UNION, BUT IT IS NOT BALANCED BECAUSE MUCH OF NORTH KOREA'S

IMPORTS ARE PURCHASED ON CREDIT. MONGOLIAN EXPORTS TO
CHINA, HE SAID, ARE LIMITED TO TIMBER AND SKINS SINCE THE
CHINESE NO LONGER BUY HORSES; HE PUT TOTAL PRC-MONGOLIAN
TRADE AT BETWEEN FIVE AND EIGHT MILLION US DOLLARS.
HOLDRIDGE

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